

TOWN OF SMYRNA
AGREED-UPON PROCEDURES ON MUNICIPAL GRANTS
FOR THE YEAR ENDED JUNE 30, 2009



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Town of Smyrna
Town Hall, P.O. Box 307
Smyrna, Delaware

We have performed the procedures enumerated below, which were agreed to by the Town of Smyrna, State of Delaware's Office of Auditor of Accounts, Department of Safety and Homeland Security, and the Office of the State Treasurer, solely to assist the specified parties with respect to determining the Town's compliance with Delaware's applicable laws, regulations, financial reporting and the effectiveness of the internal control structure related to the municipal grant funds received for the year ended June 30, 2009. The Town of Smyrna's management is responsible for compliance with those requirements.

This agreed-upon procedures attestation engagement was performed in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings were as follows:

1. Complete the State of Delaware Office of Auditor of Accounts municipal grants agreed-upon procedures program to determine the Town of Smyrna's compliance with applicable laws, regulations and financial reports related to municipal grant funds received for the year ended June 30, 2009 and detail any instances of noncompliance.

The Town of Smyrna received municipal grant funds under the following programs for the year ended June 30, 2009:

Municipal Street Aid
Police Pension
State Aid to Local Law Enforcement
Emergency Illegal Drug Enforcement

FINDING NO. 09-1 - Report Filed Incorrectly

Criteria

Per Title 30, Delaware Code, Section 5165(b)(2), each municipality shall, "In a form prescribed by the State Treasurer, submit an accurate and complete annual report not later than October 1 of each year to the State Treasurer showing expenditures of municipal street aid funds for the preceding fiscal year ended June 30. Such form shall itemize each expenditure as represented on said form as "Other expenditures.""

Condition

The Town of Smyrna submitted an annual report that was not accurately prepared or reviewed. The beginning cash balance was understated \$198.00 and the expenditures were understated \$198.00.

Cause

The Town of Smyrna reported municipal street aid expenses on the prior year report that were not transferred from the municipal street aid account until the current year. The expenditures were understated in an attempt to correct the understated beginning balance.

Effect

The Town of Smyrna's failure to prepare accurate financial reports could result in the loss of grant funding.

Recommendation

The Town of Smyrna should more carefully prepare and review the amounts on the annual report to ensure an accurate presentation.

Auditee Response

The Town did not include the \$198 engineering invoice on their annual report. During the Town's annual audit, the Town agreed that the \$198 was an eligible Municipal Street Aid expenditure. The Town attempted to correct the annual report but the form does not allow for amendment.

FINDING NO. 09-2 - Funds Not Deposited Timely

Criteria

Per Title 30 Del. C. §5165(a), "Each municipality shall keep all funds received from the state municipal aid fund in a separate account, designated as "Municipal Street Aid Fund.""

Condition

The Town of Smyrna did not transfer funds from the general fund into the municipal street aid account in a timely manner. The January 20, 2009 remittance was transferred on February 12, 2009 and the April 13, 2009 remittance was transferred on June 29, 2009.

Cause

The Town of Smyrna did not transfer funds timely due to administrative oversight.

Effect

The Town of Smyrna's failure to timely transfer municipal street aid funds to the designated account could result in the loss of grant funding.

Recommendation

The Town of Smyrna should initiate transfers to the municipal street aid account as soon as the funds are available from the general fund checking.

Auditee Response

The Town will timely transmit funds to the Municipal Street Aid investment account.

FINDING NO. 09-3 - Improper Advertising For Bids**Criteria**

Per Title 29, Delaware Code, Section 6923(b)(1), "If the probable cost of the materiel or nonprofessional service is estimated to annually exceed the threshold amount(s) set by the Contracting and Purchasing Advisory Council pursuant to §6913 of this chapter, the procurement shall be made only after public advertising and the receipt of sealed bids as provided for in this subchapter. The advertising for such bids shall be published at least once a week for 2 consecutive weeks in a newspaper published or circulated in each county of the State."

Condition

The Town of Smyrna advertised for bids on May 18 and May 21, 2008. These two days are in the same week. The advertising should have been once a week for 2 consecutive weeks.

Cause

The Town of Smyrna was unaware of the length of time necessary between the two advertising publications.

Effect

The Town of Smyrna's failure to comply with the applicable laws and regulations could result in the loss of grant funding.

Recommendation

The Town of Smyrna should implement controls to ensure compliance with the applicable laws and regulations regarding procurement with State of Delaware funds.

Auditee Response

The Town will follow the Delaware Code concerning advertising for Municipal Street Aid projects.

FINDING NO. 09-4 - Excess Funds Not Guaranteed**Criteria**

Per Title 30, Delaware Code, Section 5165(c), "Pending expenditure of funds received pursuant to § 5163 of this title, a municipality may make short-term investments of such funds in United States government securities or may deposit same in any bank or savings and loan association interest-bearing accounts or certificates guaranteed by any agency of the United States government."

Condition

The Town of Smyrna did not maintain excess funds in securities guaranteed by the United States government.

Cause

The Town of Smyrna intentionally invests in unsecured accounts due to the greater return on investment when compared to secured accounts.

Effect

The Town of Smyrna's failure to invest in securities guaranteed by the United States government could result in the loss of grant funding.

Recommendation

The Town of Smyrna should only invest idle Municipal Street Aid Funds in those securities that are guaranteed by the United States government in accordance with Title 30, Delaware Code, Section 5165(b)(2).

Auditee Response

During December 2009, the Town transferred \$250,000 of their Municipal Street Aid that was invested in accordance with the Town's investment policy to match the regulations of the Delaware Code. The Town had been maximizing their investments to be able to benefit the Town's citizens. The Town never lost money on their investments and realized a much greater return than how the money was invested under the regulations of the Delaware Code.

2. Address the status of any findings and recommendations disclosed in previous reports.

FINDING NO. 06-1 During completion of the Town of Smyrna's program checklist for the Municipal Street Aid (MSA) grant, it was noted that grant monies were deposited into the general fund account and were not transferred into the MSA account. The Town is required to keep all funds received from the MSA

grant in a separate account as required by 30 Del. C. §5165(a). The Town may reimburse the general fund account for eligible expenditures from the MSA account after the payment is executed from the general fund. Noncompliance with the grant's requirements could adversely affect future awards to the Town.

CURRENT YEAR STATUS Grant monies were transferred into the MSA account but not in a timely manner. See finding 09-2.

FINDING NO. 06-2 During completion of the Town of Smyrna's program checklist for the MSA grant, it was noted that bids were obtained for a street improvement project. The Town's advertisements for bid proposals did not meet the timing requirements of 29 Del. C. §6923(b), which states that bids shall be published at least once a week for two consecutive weeks. Failure to comply with applicable laws and regulations could result in the loss of grant funding.

CURRENT YEAR STATUS See finding 09-3.

FINDING NO. 06-3 During completion of the Town of Smyrna's program checklist for the MSA grant, it was noted that the Town identified in their general ledger and on the annual report an MSA expenditure of \$4,975.80 for an irrigation system installation and a flag pole installation, which are not allowable costs in accordance with 30 Del. C. §5165(a) and *Guidelines for Municipal Street Aid Funding*.

CURRENT YEAR STATUS All costs were allowable for the current year.

FINDING NO. 06-4 During completion of the Town of Smyrna's program checklist for the municipal street aid grant, it was noted that their financial report was submitted timely to the Office of the State Treasurer, but the financial report was not accurately prepared or reviewed [30 Del. C. §5165(b)(2)]. The ending balance, revenues and expenditures on the report did not agree to activity and balances in the MSA cash account. The State Grant agreed to the amount deposited in the general fund account, but not transferred to the MSA account, as reported in Finding No. 06-1. Expenditures reflected \$6,624.80 of street improvements not paid or reimbursed from the MSA account, including \$4,975.80 of ineligible costs reported in Finding No. 06-3. Failure to prepare accurate financial reports could result in the loss of grant funding.

CURRENT YEAR STATUS See finding 09-1.

FINDING NO. 06-5 During completion of the Town of Smyrna's program checklist for the municipal street aid grant, it was noted that excess funds maintained by the Town were not all invested in securities guaranteed by the United States as required by 30 Del. C. §5165(c).

CURRENT YEAR STATUS See finding 09-4.

FINDING NO. 06-6 During completion of the Town of Smyrna's program checklist for the Police Pension grant, it was noted that the Town did not submit to the State Board of Pension Trustees by April 1 a listing of retired police officers receiving benefits from the Town as of December 31 of the preceding year, excluding those receiving benefits from the State of Delaware County and Municipal Police Pension Plan, as required by the Delaware Code [18 Del. C. §709(b)]. The State Board of Pension Trustees has not requested this information from the Town or provided a format for the Town to submit this information to them. Failure to comply could result in the loss of grant funding.

CURRENT YEAR STATUS Since the Town of Smyrna does not participate in the proceeds of the insurance tax as outlined in [18 Del. C. §708(c)(2)], they were not required to file the listing for the current year.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with specified laws. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Town of Smyrna's management and council members, the State of Delaware's Office of Auditor of Accounts, Department of Safety and Homeland Security, and the Office of the State Treasurer and should not be used by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script, reading "Sparano, Vincetello, Villano".

Wilmington, Delaware
December 18, 2009